

Message Text

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ACTION TRSE-00

INFO OCT-01 EUR-12 NEA-10 ISO-00 AID-05 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 DODE-00 PA-01

PRS-01 H-02 SS-15 NSC-05 /089 W

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 2195

AMEMBASSY PARIS

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E.O. 11652: N/A

TAGS: USEGJC EINV EG US FR

SUBJ: GOODYEAR AND MICHELIN TIRE PLANTS

REF: (A) STATE 088469, (B) CAIRO 5018 (C) PARIS 11138

1. DURING CODEL HASKELL'S MEETING WITH FAHMY, APRIL 17,
LATTER INDICATED THAT DURING SADAT'S VISIT TO PARIS AN
"AGREEMENT" HAD BEEN SIGNED WITH MICHELIN FOR TIRE PLANT.
MICHELIN OFFER WAS BETTER THAN GOODYEAR AND FIRESTONE OFFERS.
ASKED IF THIS ENTIRELY RULED OUT GOODYEAR, FAHMY REPLIED
"ALMOST SO". SENATOR'S AIDE REMARKED MICHELIN HAS JUST
BUILT TIRE FACTORY IN DENVER, CODEL'S HOME STATE.
SENATOR OBSERVED MICHELIN IS A GOOD TIRE. THERE WAS NO
CHANCE TO DISCUSS GOODYEAR PRIVATELY WITH FAHMY.

2. THIS MORNING AMB CALLED ON MINECONCOOP ZAKI SHAFEI
ON A NUMBER OF SUBJECTS. AMONG OTHER THINGS, HE ASKED ABOUT
REPORTED MICHELIN DEAL AND ITS EFFECT ON GOODYEAR. SHAFEI
CONFIRMED THAT A "LETTER OF INTENT" HAD BEEN SIGNED WITH
MICHELIN IN PARIS. MICHELIN OFFER HAD BEEN JUDGED
BY AN EGYPTIAN COMMITTEE OF EXPERTS TO BE BEST FOR EGYPT.

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IN CONTRAST, GOODYEAR OFFER HAD BEEN CRITIQUED BY

EGYPTIAN EXPERTS AS UNFAVORABLE. GOODYEAR,
ACCORDING TO SHAFEI, HAD "OVERPLAYED ITS HAND" IT HAD
REFUSED TO NEGOTIATE ON ANY POINTS.

3. AMB TOLD SHAFEI THAT, ACCORDING TO OUR INFORMATION,
GOODYEAR OFFER IS FAR SUPERIOR TO THAT OF MICHELIN.
SHAFEI RECALLED HE HAD ALREADY TOLD SECRETARY SIMON THAT
GOODYEAR OFFER IS UNFAVORABLE. AMB REMINDED HIM THAT PRIMIN
HAD STILL INDICATED A WILLINGNESS TO COME TO AN AGREEMENT
WITH GOODYEAR. SHAFEI SAID DECISION ON MICHELIN HAS NOT BEEN
MADE WITH SADAT'S APPROVAL. GOE SEES NO POINT TO
FUTHER DISCUSSIONS WITH GOODYEAR.

4. HE THEN GAVE AMB A COPY OF EGYPTIAN EXPERTS CRITIQUE
OF GOODYEAR PROPOSAL AND A COMPARATIVE STUDY OF THE
GOODYEAR AND MICHELIN PROPOSALS MADE BY COMMITTEE OF
EGYPTIAN EXPERTS. WE WOULD SEE FROM THESE DOCUMENTS THAT
THE MICHELIN OFFER IS THE MORE FAVORABLE TO EGYPT.
(SINCE BOTH DOCUMENTS ARE IN ARABIC, ENGLISH TRANSLATION WILL HAVE
TO BE MADE. WE WILL SEND CONTENTS ASAP).

5. AMB EXPRESSED KEEN DISAPPOINTMENT AT GOE'S DECISION.
RECALLING GOODYEAR HAS BEEN NEGOTIATING WITH GOE FOR ALMOST
TWO YEARS IN GOOD FAITH, HE NOTED IMPORTANCE WE ATTACH
TO SOME AMERICAN-EGYPTIAN JOINT VENTURES GETTING UNDER-
WAY TO IMPROVE AMERICAN INVESTORS THAT "OPEN DOOR"
POLICY IS SERIOUS. SHAFEI STATED GOE SHARES THIS WISH,
BUT CANNOT BE EXPECTED TO ACCEPT A PROPOSAL THAT ITS
EXPERTS CONSIDER TO BE DISADVANTAGEOUS. AMB SAID HE
WOULD REPORT SHAFEI'S VIEWS, BUT EXPRESSED THE HOPE THAT
GOE WILL KEEP AN OPEN MIND ON THE SUBJECT. WE RESERVE
THE RIGHT TO RAISE SUBJECT AGAIN WITH HIM.

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